

HART SCHAFFNER & MARX



Twenty-sixth Annual Report
November 30, 1936

HART SCHAFFNER & MARX
CHICAGO NEW YORK

New York, January 25, 1937

To the Stockholders of
Hart Schaffner & Marx

On behalf of your Board of Directors there is submitted the financial statement of your company for the fiscal year ending November 30, 1936, together with the report of your auditors, Messrs. Price, Waterhouse & Company

The business has moved forward steadily for the past two years, net shipments for the last year being approximately fifty per cent ahead of those for 1934. Profits are still small in proportion to sales, but it has been the policy of the management to build up a larger volume of business and to rely on increased volume to restore a better margin of net profit

Advance orders for Spring 1937 show an increase over the corresponding season of last year. A prediction with respect to Fall 1937 is difficult because we are faced with substantial increases in the cost of raw materials as well as in production costs

The financial statement shows a bank liability of \$500,000. This was paid on January seventh. At this date there is no indebtedness for borrowed money. Because of the requirements of an increasing volume of business, however, the company has been borrowing quite steadily

The customary analysis of reserves at the end of the year indicates that these reserves are in excess of present requirements to the extent of \$216,976.36 and this amount has been restored to the surplus account.

MARK W. CRESAP
President

BALANCE SHEET—

Assets

Current Assets

Cash	\$ 338,477.73	
Notes and accounts receivable (less reserves) including amounts due from subsidiary companies covered by net quick assets	3,950,637.28	
Inventories of materials and finished and partly finished merchandise on hand and in transit, at cost or market whichever is lower for current season's merchandise, and estimated realizable values for past season's merchandise	2,550,203.60	
Sundry accounts, including \$25,432.98 due by employees	53,756.59	\$6,893,075.20

Cash Deposited in Escrow

to Cover the Payment of Real Estate Taxes	\$ 49,181.16	
Less—Accrued real estate taxes	49,181.16	

Advances

in Connection with Purchase by Employees of Company's Capital Stock (Less Reserve)	35,221.37
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Investments In and Non-Current Advances to Subsidiary and Affiliated Companies (Less Reserves)

of which \$1,091,823.75 is represented by net quick assets of such companies	1,716,813.52
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Company's Capital Stock

held in Treasury		
5,805 shares at par	\$ 116,100.00	
1,775 shares at cost	67,164.40	183,264.40

Shop Equipment and Fixtures, and Office Furniture

At cost	\$1,195,320.06	
Less—Depreciation reserve	951,505.81	243,814.25

Deferred Charges

Unamortized portion of remodeling and moving expenses, prepaid insurance, supplies, etc.	115,843.99
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Goodwill, Trade Names and Trade Marks

At record value	1.00
	<u>\$9,188,033.73</u>

NOVEMBER 30, 1936

Liabilities

Current Liabilities

Notes payable to bank	\$500,000.00	
Accounts payable	105,813.79	
Liability for goods in transit	31,951.51	
Accrued rents, payrolls, etc.	362,700.70	
Accrued Federal and State taxes (other than real estate taxes deducted from escrow deposit)	<u>96,305.18</u>	\$1,096,771.18

Capital Stock

Common—Authorized and issued 150,000 shares of \$20.00 each	3,000,000.00
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Capital Surplus

Arising from reduction in 1935 of stated value of Capital Stock, less reduction of goodwill to record value	1,786,212.61
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Earned Surplus

Per accompanying statement	<u>3,305,049.94</u>
	<u><u>\$9,188,033.73</u></u>

STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

FOR THE FISCAL YEAR ENDING NOVEMBER 30, 1936

Profit of Parent Company for the year

after deducting manufacturing, marketing and administrative expenses, provisions for depreciation of equipment, intercompany profit in inventories of subsidiary companies, additional compensation and Federal income tax

\$ 235,559.87

Add—

Dividends received on investments in capital stocks of subsidiary and affiliated companies and adjustment of reserve against investments in respect of net operating profits of these companies for the year (this amount being substantially equal to the Parent Company's proportion of the net profits of subsidiary and affiliated companies for the year)

248,845.42

\$ 484,405.29

Earned Surplus at November 30, 1935

2,603,668.29

\$3,088,073.58

Add—

Recovery on advances written off in prior years
Reduction of reserves provided in prior years for bad debts, rentals, etc., to estimated requirements at November 30, 1936

\$ 46,666.67

170,309.69

216,976.36

Earned Surplus at November 30, 1936

\$3,305,049.94

NOTE—The Company will not be subject to surtax on undistributed earnings under the provisions of the 1936 Revenue Act until the close of the fiscal year ending November 30, 1937 inasmuch as its tax returns are filed on a fiscal year basis and for the year just closed it will be subject to the provisions of the Revenue Act of 1934.

Report of Accountants

To the Stockholders of
Hart Schaffner & Marx

We have made an examination of the Balance Sheet of Hart Schaffner & Marx as at November 30, 1936 and of the Statement of Profit and Loss and Earned Surplus for the fiscal year ending on that date. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions

We also made examinations of the financial statements of a number of the principal subsidiaries as at July 31, 1936. In addition we have been furnished with financial statements of all of the subsidiary companies as at November 30, 1936, certified by the officers thereof, supported by particulars of inventories, certificates covering bank balances, and detailed lists of receivables, and these statements and other supporting data were subjected to our review or verification for the purpose of substantiating the correctness of the information furnished to us

The accompanying Balance Sheet sets forth the assets and liabilities of the Parent Company. The investments in and non-current advances to Subsidiary Companies are stated as such on the Balance Sheet, after deducting therefrom reserves for Subsidiary Companies' losses of prior years, adjusted in respect of net operating profits of these Companies for the year ending November 30, 1936. The portion of the advances to Subsidiary Companies which is represented by net quick assets is included in the Current Assets

In our opinion, based upon such examination and review and upon explanations furnished to us, the accompanying Balance Sheet and related Statement of Profit and Loss and Earned Surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its position at November 30, 1936, and the results of its operations for the year.

PRICE, WATERHOUSE & CO.

CHICAGO,
January 20, 1937

